The PNM

Objectives

- What is it?
- Why do it?
- Who reads it?
- How do you do it?

What Is It?

- It explains and justifies why the negotiated price is fair and reasonable.
- It’s the record of the entire negotiation process for your acquisition.
- It’s the document in the contract file that describes the principal elements of the negotiation agreement as required by FAR 15.406-3(a).

Types of Documentation

- Price Negotiation Memorandum (PNM).
  - Sole source or single source competition that is not considered competition i.e. becomes sole source
    - Preliminary PNM
    - Final PNM
- Price Competition Memorandum (PCM).
  - Adequate price competition
- Specialized PNM Format.
  - Use between micro-purchase and simplified acquisition procedures thresholds
  - May be used between simplified acquisition procedures and the TINA thresholds and for commercial acquisitions less than $5M

Why Do It?

- It’s required by FAR 15.406-3
- It’s the record of the entire negotiation process for your acquisition which other people will read to find out what you did.
- It identifies contractor data that were or were not relied upon by the Government.
- It is a permanent file record.

Who Reads It?

- Contracting Officer/Management
- Administrative Contracting Officer
- DCAA
- IG/GAO/AF Audit
- Attorneys (Government & Contractor)
- Follow-on Contract Negotiators, PCOs, Price Analysts
- Terminating Contracting Officer
- Congressional Staffers

How Do You Do It?

- You use the “HQ AFMC Price Negotiation Memorandum Checklist” to determine what is applicable to your acquisition.

PNM Tips

- Don’t have a page with signatures and nothing else
- Be concise – just say what happened
- Use the AFMC PNM Guide
- Get a pricer (>$10M - they write the PNM)
- Write a Pre-PNM if you have the time
- Write the PNM as you go
- Use a good sample (like the handout)

PNM Tips

- Cut & Paste/ Overwrite a good sample/ previous PNM, BUT be careful when you do this (don’t leave in wrong names, data, etc.)
- Separate options from basic in your write up
- Separate debits and credits in your write up
- Prepare separate WGLs for basic and each option
- Attachments can reduce clutter in PNM
- Use boilerplate where applicable/appropriate

References

- FAR 15.406-3 PNM Documentation
- FAR 15.406-2 Certification
- FAR 15.407-1 Defective Cost/Price Data
- AFMC Guide to Writing a Good PNM
  - Go to Pricing Community of Practice
    - https://afkm.wpafb.af.mil/ASPs/CoP/OpenCoP.asp?Filter=OO-PK-MC-11
  - Open Documentation Folder
  - Open PNM/PCM Guide - AFMC